

Title Insurance

SSB 6847 – Real Estate Settlement Services

02/19/08

Background

In the wake of widespread violations and abuses of the state's limits on the use of inducements and incentives in the title insurance industry, Insurance Commissioner Mike Kreidler convened a task force from the industry and consumer groups to study the issue of title insurance and its regulation, and make recommendations for enhancing consumer protection. The task force report, issued in September 2007, contained recommendations for proposed legislation to provide better compliance by the industry while encouraging a more competitive title insurance marketplace for the benefit of consumers.

Pursuant to the recommendations of the Title Insurance Task Force, SSB 6847 addresses four major areas of reform:

1) **Incentives and Inducements:**

- a) Similar to the "Real Estate Settlements Procedures Act" [RESPA], the bill prohibits title insurers, title agents and others from providing kickbacks or inducements for placing or referring title business, i.e. quid quo pro.
- b) Prohibits title insurers and agents from giving anything of value to anyone in a position to refer or influence the placement of title business, except as permitted under OIC rules.
- c) Prohibits real estate agents, escrow agents and mortgage brokers from soliciting and/or accepting illegal inducements from title insurers and title insurance agents.

2) **Affiliated Business Arrangements:**

- a) Requires title insurance agents to disclose affiliated business arrangements as a condition of licensing.
- b) Prohibits real estate licensees, escrow agents and mortgage brokers from giving kickbacks or inducements to refer title business to a title agent in which they have a financial interest.
- c) Prohibits real estate licensees, escrow agents and mortgage brokers from requiring consumers to obtain title insurance from a title agent in which they have a financial interest.
- d) Prohibits real estate licensees, escrow agents and mortgage brokers from preventing or deterring title companies from delivering to their offices printed promotional material concerning only title insurance services.
- e) Clarifies that title companies are permitted to make payments to producers of title insurance business that are a return on ownership interest, as defined by RESPA

3) **Rate Regulation:**

- a) Title insurance rates must be justified and subject to OIC disapproval.
- b) The Insurance Commissioner will adopt rules to establish standards and information required for rate filings and re-filings.

4) **Transparency:**

- a) Requires title insurers and agents to disclose title premiums and escrow rates to the public.
- b) Requires title insurers and agents to file escrow rates with the Insurance Commissioner.

For a copy of the Task Force Report go to:

<http://www.insurance.wa.gov/publications/news/2140-Report.pdf>